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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Steven M. Bloom et al.

Art Unit : 3628

Serial No. : 09/758,967

Examiner : Nguyen, Nga B

Filed : January 11, 2001

Title : ARBITRAGE OF TRACKING SECURITIES

**Mail Stop Appeal Brief - Patents**

Commissioner for Patents

P.O. Box 1450

Alexandria, VA 22313-1450

**APPEAL BRIEF ON BEHALF OF STEVEN M. BLOOM ET AL.**

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**(i.) Real Party In Interest**

The real party in interest in the above application is The Nasdaq Stock Market, Inc.

**(ii.) Related Appeals and Interferences**

The appellant is not aware of any appeals or interferences related to the above-identified patent application.

**(iii.) Status of Claims**

This is an appeal from the decision of the Primary Examiner in an Office Action dated March 22, 2005, rejecting claims 1-32, all of the claims of the above application. The claims have been twice rejected. Claims 1-32 are the subject of this appeal.

**(iv.) Status of Amendments**

Appellant filed a Reply on June 10, 2005 in answer to the Office Action dated March 22, 2005. As of the filing of this Appeal Brief, the Reply and accompanying amendment to the claims have not been entered. Appellant had sought to amend claims 4-8, 10, 11 and 14 to correct minor antecedent basis errors involving "tracking," by adding "tracking" to the claims or changing claim dependency of some of the claims. Appellant had sought to amend claim 11 to delete "index" from first tracking fund and correct the spelling of the word "synchronization."

Appellant had contended that these amendments neither raised new issues nor required an additional search, nor any significant consideration by the examiner, and thus should have been entered, since entry would have simplified issues on appeal. Appellant filed a Notice of Appeal on June 10, 2005.

Appellant, on August 25, 2005, sought to talk to the examiner to see if the Reply filed on June 10, would be entered by the examiner. Appellant was not able to reach the examiner. On September 9, 2005, Appellant checked PAIR and found an entry dated 6/13/2005 "Claim-Amendment Not Entered." Accordingly, Appellant contends that the amendment was not entered and will appeal the claims on that basis.

**(v.) Summary of Claimed Subject Matter**

**Background**

The claimed invention relates to trading of tracking stocks and the like. Exchange traded fund shares including various forms of index tracking stocks are based on indexes such as the Nasdaq-100 Index®. The Nasdaq-100 Index Tracking Stock™ is traded in the United States under the ticker symbol QQQ. The Nasdaq-100 Index Tracking Stock™ is registered as a U.S. investment company. [Specification page 1, lines 3-9]

**Appellant's Invention**

**Claim 1**

One aspect of Appellant's invention is set out in claim 1, as a memory storing a data structure that represents a financial product. "FIG. 1 is a block diagram depicting two investment vehicles that are registered in different countries." [Specification page 3, lines 4-5]. "Also, data structures can be used to represent the first fund shares. These data structures (not shown) can be stored in memory and in persistence storage. The first fund shares can be represented by certificates or as book entries in the records of an administrator or broker/dealer either as manual or computer entries." [Specification page 11, line 26 to page 12, line 2].

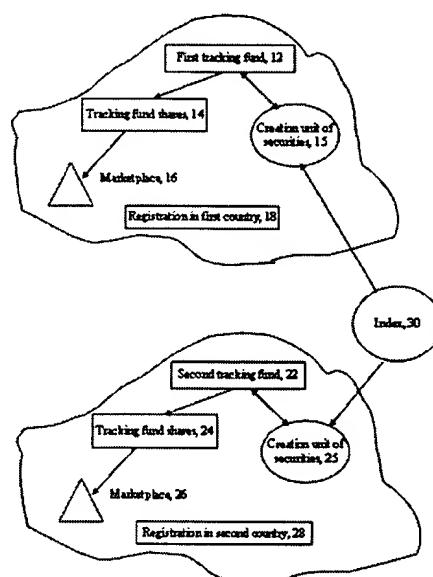


FIG. 1

Inventive features of the memory storing the data structure include a field that identifies a first fund that is traded on a trading marketplace in a first country and registered in the first country. "Referring to FIG. 1, \*\*\* [T]he first tracking fund 12 has a different country of registration 18 than that of a second fund 22. The second fund 22 also issues tracking fund shares 24 traded on a second marketplace 26. The second marketplace 26 is based in a second country 28. [Specification page 3, lines 11- 21].

Inventive features of the memory storing the data structure of Claim 1 also include a field that identifies an index of securities that are traded in a second, different country that the first fund is based on and being arbitrable with a second fund that is based on the index and which is registered in the second different country. "Referring to FIG. 1, a first index-tracking fund 12 issues tracking fund shares 14 that are traded on a marketplace 16 in a first country 18. In addition or as an alternative to being traded on a marketplace, the first index-tracking fund 12 can be traded on an over-the-counter marketplace or through the facilities of an electronic communications network (ECN) or other securities trading marketplace. The first tracking fund 12 has a different country of registration 18 than that of a second fund 22." [Specification page 3, lines 10-19].

Inventive features of the memory storing the data structure include a relationship such that the first fund has a creation unit basis that is substantially the same basis as a creation unit basis for the second fund. "The first tracking fund 12 and the second tracking fund 22 are each based on creation units 15, 25 respectively. To make the first tracking fund 12 arbitrable with the second tracking fund 22, the first tracking fund 12 uses a creation unit 15 basis that is substantially the same as, and preferably essentially identical to, the creation unit 25 basis for the second tracking fund 22. Creation units are specific to exchange traded funds and are known, such as for the Standard & Poor's Depository Receipts® (SPDRs)." [Specification page 4, lines 19-27].

#### Claim 11

Claim 11 claims another aspect of the invention. Claim 11 is directed to memory storing a data structure that represents a first tracking fund. The data structure feature finds support as generally set out for claim 1. [Specification page 11, line 26 to page 12, line 2].

Claim 11 includes a field identifying fund shares that are traded on a first marketplace, the first tracking fund registered in a first country. This feature finds support as generally set out for claim 1. [Specification page 3, lines 11- 21]

Claim 11 also includes a field identifying a second tracking fund being based on an index of securities the second fund traded in a second, different country and registered in the second country. This feature finds support as generally set out for claim 1. [Specification page 4, lines 19-27].

Claim 11 includes the feature that the first tracking fund is structured with a creation unit basis that is substantially the same creation unit basis as for the second fund (This feature finds support as generally set out for claim 1 [Specification page 4, lines 25-29]), and where calculation of the net asset value of the first fund occurs essentially or exactly the same time that second country fund has its NAV calculated. "For the first tracking fund 12, rather than having an NAV calculation performed 16 during or just after trading of the first tracking fund 12 in the country where the first fund 12 is trading, the NAV calculation process 40 for the first fund is programmed with or is determined 42 when the NAV is ready to be calculated for the second tracking fund 22. This calculation is generally performed after the close of trading for the second tracking fund 22 in the second country 24. [Specification page 6, line 28 to page 7, line 5].

#### Claim 16

Another aspect of the invention is covered by claim 16. Claim 16 is directed to a computer-based method of administering a financial product that is traded on a first marketplace. The product has characteristics of \*\*\* a first fund having a creation unit basis that is substantially the same basis as the creation unit basis for a second fund that is traded on a second marketplace in a different country as the first fund. This feature finds support as generally set out for claim 1. [Specification page 4, lines 19-27].

#### Claim 17

Claim 17 is directed to a computer-based method of administrating a first fund that is traded on a first marketplace. The method includes calculating in the computer, the net asset value of the first fund at essentially or exactly the same time that the net asset value of a second

country fund has its net asset value calculated, with the first fund and the second fund each tracking the same index of financial products. This feature finds support as generally set out for claim 11. [Specification page 6, line 28 to page 7, line 5].

Claim 18

Claim 18 is directed to a computer-based method of administrating a first fund that issues shares in the first fund. Claim 18 includes the features of providing the first fund based on a creation unit, the creation unit having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than the first fund, calculating in the computer the net asset value of the first fund at essentially or exactly the same time that the net asset value of the second country fund has its net asset value calculated to make the first fund arbitragable with the second fund. This feature finds support as generally set out for claim 11. [Specification page 4, lines 25-29] and [Specification page 6, line 28 to page 7, line 5].

Claim 24

Claim 24 is directed to a method executed in a computer system. Claim 24 includes the feature of administrating a first fund that issues shares in the first fund, calculating in the computer system the net asset value of the first fund at essentially or exactly the same time that the net asset value of a second fund has its net asset value calculated to make the first fund arbitragable with the second fund, with the first fund and the second fund each having a creation unit basis that are substantially the same and with the second fund traded on a second marketplace in a different country than the first fund. This feature finds support as generally set out for claim 11. [Specification page 4, lines 25-29] and [Specification page 6, line 28 to page 7, line 5].

**(vi.) The Ground of Rejection to be Reviewed on Appeal**

Claims 1-32 stand rejected under 35 U.S.C. 103(a) as being unpatentable over Olienyk et al, Journal of Financial Planning (hereinafter Olienyk), in view of iShares, Inc Business Wire, "iShares, Inc. Announces Results of Special Shareholders' Meetings," (hereinafter iShares).

### **(vii.) Argument**

#### **Obviousness**

"It is well established that the burden is on the PTO to establish a *prima facie* showing of obviousness, *In re Fritsch*, 972 F.2d. 1260, 23 U.S.P.Q.2d 1780 (C.C.P.A., 1972)."

"It is well established that there must be some logical reason apparent from the evidence or record to justify combination or modification of references. *In re Regal*, 526 F.2d 1399 188, U.S.P.Q.2d 136 (C.C.P.A. 1975). In addition, even if all of the elements of claims are disclosed in various prior art references, the claimed invention taken as a whole cannot be said to be obvious without some reason given in the prior art why one of ordinary skill in the art would have been prompted to combine the teachings of the references to arrive at the claimed invention. *Id.* Even if the cited references show the various elements suggested by the Examiner in order to support a conclusion that it would have been obvious to combine the cited references, the references must either expressly or impliedly suggest the claimed combination or the Examiner must present a convincing line of reasoning as to why one skilled in the art would have found the claimed invention obvious in light of the teachings of the references. *Ex Parte Clapp*, 227 U.S.P.Q.2d 972, 973 (Board. Pat. App. & Inf. 985)."

"The mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification." *In re Gordon*, 221 U.S.P.Q. 1125, 1127 (Fed. Cir. 1984).

Although the Commissioner suggests that [the structure in the primary prior art reference] could readily be modified to form the [claimed] structure, "[t]he mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification." *In re Laskowski*, 10 U.S.P.Q. 2d 1397, 1398 (Fed. Cir. 1989).

"The claimed invention must be considered as a whole, and the question is whether there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination." *Lindemann Maschinenfabrik GMBH v. American Hoist & Derrick*, 221 U.S.P.Q. 481, 488 (Fed. Cir. 1984).

Obviousness cannot be established by combining the teachings of the prior art to produce the claimed invention, absent some teaching or suggestion supporting the combination. Under Section 103, teachings of references can be combined only if there is some suggestion or incentive to do so. *ACS Hospital Systems, Inc. v. Montefiore Hospital*, 221 U.S.P.Q. 929, 933 (Fed. Cir. 1984) (emphasis in original, footnotes omitted).

"The critical inquiry is whether 'there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination.'" *Fromson v. Advance Offset Plate, Inc.*, 225 U.S.P.Q. 26, 31 (Fed. Cir. 1985).

**Claims 1-32 are patentable over Olienyk et al, Journal of Financial Planning, in view of iShares, Inc Business Wire, "ishares, Inc. Announces Results of Special Shareholders' Meetings."**

**Claims 1-5, 8, 9**

For the purposes of this appeal only, claims 1-5, 9 may be treated as standing or falling together. Claim 1 is representative of this group.

Claim 1 is allowable over Olienyk taken separately or in combination with iShares. The combination of references neither describes nor suggests in combination \*\*\* a field that identifies a first fund that is traded on a trading marketplace in a first country, and registered in the first country, a field that identifies an index of securities that are traded in a second, different country, which the first fund is based on and being arbitrable with a second fund that is based on the index and which is registered in the second different country.

Claim 1 further distinguishes over Olienyk by requiring the first fund to have a creation unit basis that is substantially the same basis, as a creation unit basis for the second fund.

The examiner takes the position that Olienyk teaches the features of claim 1, except for the data structure. The examiner stated:

**Regarding to claim 1, Olienyk teaches a financial product, comprising: a first fund that is traded on a trading marketplace in a first country, and registered in the first country (see abstract, the index fund called World Equity Benchmark Shares or WEBS; pages 5-7, in the beginning of 2000, there were WEBS for 17**

different countries for trading: Japan, Malaysia, Singapore, Hong Kong, Australia, Mexico, United states, Mexico, Italy, Canada, Germany, Austria, France, Netherlands, United Kingdom; Spain, Belgium; e.g. the first fund is Mexican WEBS is traded on Mexican market),

an index of securities that are traded in a second, different country, that the first fund is based on and being arbitrable with a second fund that is based on the index and which is registered in the second different country, and wherein the first fund has a creation unit basis that is substantially the same basis as a creation unit basis for the second fund (page 4, see 'World Equity Benchmark Shares'; WEBS is being based on Morgan Stanley Capital International (MSCI) stock market index, WEBS are open-end index funds, their shares like closed-end country funds, are traded in the secondary market, i.e. traded on American Stock Exchange; e.g. the first fund is Mexican WEBS is being arbitrable with a second fund, e.g. Canadian WEBS based on the MSCI index; Mexican and Canadian WEBS have the same creation unit basis).

Olienyk does not teach a memory storing a data structure that represents a financial product includes a field that identifies a first fund and a field that identified an index of securities. However, ishares teaches a memory storing a data structure that represents a financial product includes a field that identifies a first fund and a field that identified an index of securities (see page 2; ishares has a website [www.ishares.com](http://www.ishares.com) containing a full list of the 44 currently available ishares exchange traded funds, a list includes 44 fields represent 44 ishares exchange traded funds). Therefore, it would have been obvious to one with ordinary skill in the art at the time the invention was made to include the teaching of ishares above with Olienyk's for the purpose of providing a memory for storing a financial product in order to trade financial product in the market.

The Examiner's characterization of what Olienyk discloses is incorrect. Olienyk describes WEBS as follows:

World Equity Benchmark Shares, or WEBS, are investment companies that are designed to track the Morgan Stanley Capital International (MSCI) stock market indices for single foreign countries. WEBS are modeled after Standard & Poor's Depository Receipts (SPDR), which track the S&P 500 index for the U.S. stock market. Technically, WEBS are open-end index funds, but their shares, like those of closed-end country funds, are traded in the secondary market. Unlike closed-end funds, however, WEBS have a feature that prevents the existence of significant discounts or premiums to net asset value. WEBS thus offer the best features of both open-end and closed-end funds.

The WEBS Index Fund Inc. issues and redeems World Equity Benchmark Shares only through "creation units," which are in-kind deposits of portfolios of roughly the same securities and with the same weights as those that represent a particular country's MSCI Index. These creation units are then subdivided into WEBS and traded on the American Stock Exchange. Since WEBS are created and redeemed only through these creation units, arbitrage by large investors is possible if the NAV of the creation units deviates from the price of the WEBS by more than the costs of the trading necessary to perform the arbitrage. As a result, the NAV of the creation units should, deviate by only a small fraction of a percent from the price of the WEBS in the secondary market.

As set out by Olienyk, WEBS is a series of vehicles for U.S. investors to invest in shares of foreign companies through a corresponding series of different, and entirely unrelated MSCI indexes.

WEBS do not have a counter-part traded in the foreign country (the underlying securities are traded in the foreign country). Therefore, Olienyk does not suggest \*\*\* a field that identifies a first fund that is traded \*\*\* in a first country, and registered in the first country, a field that identifies an index of securities that are traded in a second, different country that the first fund is based on and being arbitragable with a second fund that is based on the index and which is registered in the second different country.

The examiner reasons that Olienyk teaches, e.g. "the first fund is Mexican WEBS is traded on Mexican market)" and \*\*\* "a second fund, e.g. Canadian WEBS based on the MSCI index." The examiner's reasoning is completely erroneous and is not supported by the teachings of Olienyk. Olienyk clearly describes that neither of these products are traded in the Mexican or Canadian markets. Both are U.S.-based products and have no counterpart in the Mexican or Canadian markets. Olienyk also describes that: "World Equity Benchmark Shares, or WEBS, are investment companies that are designed to track the Morgan Stanley Capital International (MSCI) stock market indices for single foreign countries." There is no single MSCI index that the Mexican and Canadian funds are based on. Rather, there exists an index for Canadian WEBS and a completely different and unrelated index for Mexican WEBS.

The examiner also takes the unsupportable position that Mexican and Canadian WEBS have the same creation unit basis. They clearly do not. While both Mexican and Canadian WEBS each have a creation unit basis to produce the respective funds, in no sense is the creation unit basis for the Mexican WEBS the same as the creation unit basis for the Canadian WEBS. Mexican WEBS have a creation unit basis of securities traded in Mexican markets, whereas Canadian WEBS have a creation unit basis of securities traded in Canadian markets. Accordingly, in no sense are these creation units the same.

Applicant submits that iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk. As is well known, WEBS were renamed iShares MSCI index funds.<sup>1</sup> In no sense therefore can iShares suggest a memory storing a data structure that represents a financial product, the data structure comprising a field that identifies a first fund that is traded on a trading marketplace in a first country, and registered in the first country, a field that identifies an index of securities that are traded in a second, different country that the first fund is based on and being arbitragable with a second fund that is based on the index and which is registered in the second different country,” as recited in claim 1. The examiner contention that “ishares has a website [www.ishares.com](http://www.ishares.com) containing a full list of the 44 currently available ishares exchange traded funds, a list includes 44 fields represent 44 ishares exchange traded funds” fails to suggest the features of claim 1 whether taken separately or in combination with Olienyk. While the ishares website may have “a list includes 44 fields represent 44 ishares exchange traded funds,” nowhere does iShares suggest that the data structure includes a field that identifies a first fund that is traded on a trading marketplace in a first country and registered in the first country and a field that identifies an index of securities that are traded in a second, different country that the first fund is based on and being arbitragable with a second fund that is based on the index and which is registered in the second different country, as in claim 1.

Olienyk does mention that e.g., Canadian WEBS have the same creation unit basis as the Canadian MSCI index and are arbitrageable. However, Olienyk is merely teaching that the Canadian WEBS would have the same composition as the Canadian MSCI index.

Olienyk also describes that WEBS are arbitrageable to the extent that: “the NAV of the creation units deviates from the price of the WEBS by more than the costs of the trading necessary to perform the arbitrage.” However, WEBS are arbitrageable against the underlying securities. To arbitrage against the WEBS, an investor would need to trade in the foreign market and buy (or sell) all of the underlying securities in the weightings prescribed in the respective index.

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<sup>1</sup> “BGI has been managing exchange traded funds since 1996, with the introduction of WEBS (World Equity Benchmark Shares), and now provides investors with 19 foreign country index portfolios tracking the indexes of Morgan Stanley Capital International (MSCI). The WEBS funds have been re-named “ishares MSCI Index Funds.” The “ishares MSCI” funds reflect the indexes tracked, and the consistent brand name for all exchange traded funds managed by BGI.” *Barclays Global Investors Launches New Exchange Traded Fund Tracking Taiwan; iShares MSCI Taiwan is 19th MSCI Country Managed by BGI*, Business Wire, 0162 June 22, 2000

In contrast, claim 1 requires two funds that have the same creation unit basis. By using two funds, the first fund traded on a trading marketplace in a first country and registered in the first country, and a second fund, that is based on the index, and, which is registered in the second different, country, the costs for arbitrage are drastically reduced beyond what can be accomplished by Olienyk, since an arbitrageur need only buy (or sell) tracking stocks in one of the funds to arbitrage against the other fund.

Therefore, the examiner's reasoning that the first fund is Mexican WEBS is arbitrageable with a second fund, e.g., Canadian WEBS based on the MSCI index and that Mexican and Canadian WEBS have the same creation unit basis is completely in error. While Canadian and Mexican WEBS have creation unit basis, the individual WEBS are based on different creation units, e.g., different, separate, and entirely unrelated indexes in the different countries and different underlying securities, as discussed above. In general, therefore WEBS are not arbitrageable with each other.

#### Claim 6

Claim 6 further limits claim 1 by specifying that the first index tracking fund can be traded on marketplaces in the first country or on marketplaces in other countries, other than marketplaces in the second country. The examiner contends that this feature is satisfied by: "(e.g. Mexican WEBS is a first index-tracking fund that are traded in the Mexican market)." The examiner is incorrect. Mexican WEBS are not traded in a Mexican market.

#### Claim 7

Claim 7 further limits claim 1 by reciting that the first tracking fund shares are not fungible with second tracking fund shares at the share level. Olienyk does not teach any second tracking fund. Appellant agrees with the examiner that no fund in WEBS is fungible with any other fund, but the examiner is incorrect in the contention that this feature of claim 7 is met by: "(page 4, see 'World Equity Benchmark Shares'; the WEBS are issued and redeemed only through "creation units"). More importantly, however, WEBS does not suggest the features of the first and second tracking funds not being fungible with each other.

Claim 10

Claim 10 limits claim 1 by reciting that there is “a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund.” Again, Olienyk does not teach the first and second funds. Since no two of the WEBS, e.g., Mexican and Canadian, are arbitrageable, there would not be any apparent reason or purpose to have a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund.

Claims 11-15

For the purposes of this appeal only, claims 11-15 may be treated as standing or falling together. Claim 11 is representative of this group.

Claim 11 includes the features of a field identifying fund shares that are traded on a first marketplace, the first tracking fund registered in a first country, a field identifying a second fund being based on an index of securities the second fund traded in a second, different country and registered in the second country. These features distinguish over Olienyk for similar reasons given above.

Claim 11 also requires that the first fund is structured with a creation unit basis that is substantially the same creation unit basis as for the second fund and where calculation of the net asset value of the first fund occurs essentially or exactly the same time that second country fund has its NAV calculated.

Neither Olienyk nor the examiner's comments address the portion of this feature related to the calculation of the net asset value. Olienyk fails to address this because Olienyk does not teach the second country fund and the examiner simply had overlooked or improperly chose to ignore this feature in rejecting claim 11.

iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk.

Claim 16

Claim 16 recites administering in a computer system a first fund having a creation unit basis that is substantially the same basis as the creation unit basis for a second fund that is traded

on a second marketplace in a different country as the first fund. Olienyk neither describes nor suggests the second fund nor a process of administrating a first fund having the same creation unit basis as the second fund. iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk.

Claim 17

Claim 17 distinguishes as a computer-based method of administrating a first fund that is traded on a first marketplace, by calculating in the computer, the net asset value of the first fund at essentially or exactly the same time that the net asset value of a second country fund has its net asset value calculated, with the first fund and the second fund each tracking the same index of financial products. iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk.

The examiner states: “(page 4, WEBS like closed-end country funds, net asset value calculated weekly or daily, e.g. Mexican and Canadian WEBS are traded on American Stock Exchange, thus the net asset value of both Mexican and Canadian WEBS are calculated exactly the same time).” The examiner again is in error. Olienyk teaches on page 4:

**Unlike open-end funds that allow purchase or redemption only at net asset value as determined when the market closes each day, WEBS (like closed-end fund shares) can be purchased or sold continuously while the markets are open. However, since WEBS (and open-end fund shares) trade at NAV, the opportunity to buy shares at a large discount to NAV, as can be done at times with closed end funds, does not exist.**

Olienyk does not teach exactly when the NAV is calculated. Olienyk merely teaches that WEBS trade at NAV. Olienyk does not suggest that Mexican and Canadian WEBS calculate the NAV at exactly the same time, as required by claim 17. Moreover, even if the the NAV's were calculated at the same time, it would be of no import because claim 17 requires that the first fund and the second fund each track the same index of financial products.

Claims 18 and 24, 31

For the purposes of this appeal only, claims 18 and 24, 31 may be treated as standing or falling together. Claim 18 is representative of this group.

Claim 18 distinguishes by reciting the feature of providing the first fund based on a creation unit, the creation unit having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than the first fund. Olienyk does not suggest these features of the first and second funds. iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk.

Claim 18 (and by analogy claim 24) further requires calculating in the computer the net asset value of the first fund at essentially or exactly the same time that the net asset value of the second country fund has its net asset value calculated to make the first fund arbitrable with the second fund.

Olienyk, as discussed above does also not suggest this feature, and iShares does not add any further teachings to Olienyk to cure the deficiencies in Olienyk.

Claims 19-23, 25-28

Claims 19-23 (and by analogy claims 25-29) are allowable for analogous reasons discussed above.

Claim 29

Claim 29 further limits the action of calculating the net asset value of the second fund to occur after the close of trading for the second fund in the second country. Olienyk does not suggest this feature.

Claim 30

Claim 30 further limits claim 24 by requiring calculating \*\*\* to be in synchronization with the calculation of the net asset value in the second fund.

Claim 32

Claim 32 distinguishes by reciting that trading in the shares of one fund uses as a reference the prices or expected prices of the shares of the second fund. This is not possible by the teaching of WEBS. Presumably, indexes of shares for securities that are traded in Mexico for Mexican companies will not have any relevance to traders for shares in Canadian companies.

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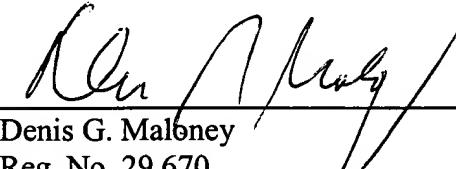
Attorney's Docket No.: 09857-054001

### Conclusion

Appellant submits, therefore, that Claims 1-32 are allowable over the cited art. Therefore, the Examiner erred in rejecting Appellant's claims and should be reversed.

Respectfully submitted,

Date: 9/9/01

  
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### **Appendix of Claims**

1. A memory storing a data structure that represents a financial product, the data structure comprising:
  - a field that identifies a first fund that is traded on a trading marketplace in a first country, and registered in the first country,
  - a field that identifies an index of securities that are traded in a second, different country that the first fund is based on and being arbitrable with a second fund that is based on the index and which is registered in the second different country; and
  - wherein the first fund has a creation unit basis that is substantially the same basis as a creation unit basis for the second fund.
2. The financial product of claim 1 wherein the first fund is a first index-tracking fund, issuing tracking fund shares that are traded in the marketplace in the first country.
3. The financial product of claim 1 wherein the marketplace is an exchange, an electronic market, over-the-counter marketplace, an electronic communications network (ECN), or other securities trading marketplace.
4. The financial product of claim 1 wherein the first tracking fund and the second tracking fund each track the same index.
5. The financial product of claim 1 wherein the first tracking fund and the second tracking fund are designed to track or outperform the price and yield performance of the index.
6. The financial product of claim 1 wherein the first index tracking fund can be traded on marketplaces in the first country or on marketplaces in other countries, other than marketplaces in the second country.
7. The financial product of claim 1 wherein the first tracking fund shares are not fungible with second tracking fund shares at the share level.

8. The financial product of claim 1 wherein the first tracking fund is designed to permit arbitrage of the first tracking fund with the second tracking fund.

9. The financial product of claim 1 wherein the composition of the creation unit is based on the index and is adjusted as determined by an agent such as an index receipt agent, trustee, administrator, or other entity designated to perform that function.

10. The financial product of claim 1 wherein there exists a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund.

11. A memory storing a data structure that represents a first tracking fund, the data structure comprising:

a field identifying fund shares that are traded on a first marketplace, the first tracking fund registered in a first country;

a field identifying a second fund being based on an index of securities the second fund traded in a second, different country and registered in the second country;

wherein the first fund is structured with a creation unit basis that is substantially the same creation unit basis as for the second fund and where calculation of the net asset value of the first fund occurs essentially or exactly the same time that second country fund has its NAV calculated.

12. The financial product of claim 11 wherein the marketplace is an exchange, an electronic market, over-the-counter marketplace, an electronic communications network (ECN), or other securities trading marketplace.

13. The financial product of claim 11 wherein the first tracking fund and the second tracking fund each track the same index.

14. The financial product of claim 11 wherein the first tracking fund can be traded on marketplaces in the first country or on marketplaces in other countries, other than marketplaces in the second country.

15. The financial product of claim 11 wherein the first tracking fund is designed to permit arbitrage of the first tracking fund with the second tracking fund, and there exists a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund.

16. A computer-based method of administering a financial product that is traded on a first marketplace, comprising the characteristics of:

administering in a computer system a first fund having a creation unit basis that is substantially the same basis as the creation unit basis for a second fund that is traded on a second marketplace in a different country as the first fund.

17. A computer-based method of administrating a first fund that is traded on a first marketplace, comprising the characteristics of:

calculating in the computer, the net asset value of the first fund at essentially or exactly the same time that the net asset value of a second country fund has its net asset value calculated, with the first fund and the second fund each tracking the same index of financial products.

18. A computer-based method of administrating a first fund that issues shares in a first fund, the computer-based method comprises:

providing the first fund based on a creation unit, the creation unit having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than the first fund;

calculating in the computer the net asset value of the first fund at essentially or exactly the same time that the net asset value of the second country fund has its net asset value calculated to make the first fund arbitragable with the second fund.

19. The method of claim 18 further comprising:  
trading the first fund on a marketplace.

20. The method of claim 18 wherein the marketplace is an exchange, an electronic market, over-the-counter marketplace; an electronic communications network (ECN), or other securities trading marketplace.

21. The method of claim 18 wherein the first tracking fund and the second tracking fund each track the same index.

22. The method of claim 18 wherein trading of the first fund shares can occur in marketplaces in the first country or marketplaces in other countries, other than marketplaces in the second country.

23. The method of claim 18 wherein making the first fund arbitrageable with the second fund further comprises:

providing a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund.

24. A method executed in a computer system, the method comprises:  
administrating a first fund that issues shares in the first fund by:  
calculating in the computer system the net asset value of the first fund at essentially or exactly the same time that the net asset value of a second fund has its net asset value calculated to make the first fund arbitragable with the second fund, with the first fund and the second fund each having a creation unit basis that are substantially the same and with the second fund traded on a second marketplace in a different country than the first fund.

25. The method of claim 24 further comprising:  
trading the first fund on a marketplace.

26. The method of claim 24 wherein the marketplace is an exchange, an electronic market, over-the-counter marketplace, an electronic communications network (ECN), or other securities trading marketplace.

27. The method of claim 24 wherein the first tracking fund and the second tracking fund each track the same index.

28. The method of claim 24 further comprising:

providing a known numerical relationship or ratio between the share aggregation size of a creation unit of the first tracking fund and the share aggregation size of a creation unit of the second tracking fund to make the first fund arbitrageable with the second fund.

29. The method of claim 24 further comprising:

calculating the net asset value of the second fund after the close of trading for the second fund in the second country.

30. The method of claim 24 further comprising:

calculating the net asset value for the first tracking fund in synchronization with the calculation of the net asset value in the second fund.

31. The method of claim 24 wherein the first country and the second country are in different time zones.

32. The method of claim 24 wherein trading in the shares of one fund uses as a reference the prices or expected prices of the shares of the second fund.

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### **Evidence Appendix**

**None**

### **Related Proceedings Appendix**

**None**